

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 AGRE-00 AID-05 CIAE-00
COME-00 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00
XMB-02 OPIC-03 SP-02 LAB-04 EPG-02 SIL-01 OMB-01
IGA-02 /052 W

-----271909Z 086157 /41

P 271419Z MAY 77

FM AMEMBASSY BOGOTA

TO SECSTATE WASHDC PRIORITY 1752

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EO 11652: NA

TAGS: EFIN CO

SUBJ: ADDITIONAL MONETARY AND EXCHANGE MEASURES

REF: BOGOTA 3608, BOGOTA 3928

1. THE GOVERNMENT HAS EXTENDED FROM 30 TO 90 DAYS THE PERIOD WITHIN WHICH EXCHANGE CERTIFICATES WILL BE DISCOUNTED, AND HAS RAISED THE DISCOUNT FROM 10 TO 15 PERCENT. THE MEASURE WILL INCREASE THE SPREAD BETWEEN PESOS BOUGHT WITH COFFEE AND SERVICE EARNINGS AND PESOS BOUGHT WITH MINOR EXPORT EARNINGS. SINCE THE SPREAD SHOULD BE EQUIVALENT TO THE COST OF HOLDING THE CERTIFICATES TO MATURITY, THE SECONDARY MARKET SHOULD BEGIN TO BUY THE 90 DAYS CERTIFICATES FOR ABOUT 34 PESOS TO THE DOLLAR. THE OFFICIAL, I.E. MINOR EXPORT RATE, IS 36.50.

2. THE MEASURE WAS NO SURPRISE AND IT IS EXPECTED THAT THE PERIOD WILL BE GRADUALLY EXTENDED TO THE FULL 180 DAYS WHICH WILL MAKE THE OFFICIAL DISCOUNT AND THE SECONDARY MARKET RATES EQUAL. WHAT STILL REMAINS TO BE SEEN IS WHETHER THE GOVERNMENT WILL SIMULTANEOUSLY BEGIN TO DEVALUE THE TWO RATES, OR LEAVE THE OFFICIAL RATE AT 36.50 THEREBY CAUSING A DE

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FACTO 15 PERCENT REVALUATION OF THE COFFEE PESO OVER THE COURSE OF THE NEXT YEAR. THE RUMORS ARE THAT THE CENTRAL BANK WILL REVALUE THE PESO SLIGHTLY, BUT THE EMBASSY STILL EXPECTS A GRADUAL DEVALUATION TO BE INSTITUTED WHICH WILL RESULT IN THE SERVICE AND COFFEE PESO REMAINING AT ABOUT 36.50, AND THE MINOR EXPORT PESO DEVALUING AT A 10 TO 15 PERCENT ANNUAL RATE.

3. THE GOVERNMENT ALSO INCREASED THE AMOUNTS, AND LOWERED THE
COST, OF CREDIT AVAILABLE TO MOST MINOR EXPORTS AND
LOWERED THE COFFEE REINTEGRO TO THE EQUIVALENT OF \$3.03 A
LB. THE REINTEGRO IS THE AMOUNT OF EARNINGS A COFFEE EXPORTER
MOST NATIONALIZE PER UNIT OF COFFEE EXPORTED.
DREXLER

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Message Attributes

Automatic Decaptioning: X
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Channel Indicators: n/a
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Concepts: FINANCIAL STABILITY, DEVALUATIONS
Control Number: n/a
Copy: SINGLE
Sent Date: 27-May-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977BOGOTA04893
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
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Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770190-0607
Format: TEL
From: BOGOTA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770511/aaaaajjx.tel
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Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
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Secure: OPEN
Status: NATIVE
Subject: ADDITIONAL MONETARY AND EXCHANGE MEASURES
TAGS: EFIN, CO
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